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Egypt

Cotton and Products Annual

Farmers Responded Favorably to Higher Prices

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Report Highlights:

Total Cotton area and production in 2011/2012 is forecast to increase by 35 percent, as a result of the recent increase in cotton prices and relatively less attractive prices for other competing crops. In order to satisfy local factories and replenish depleted stocks, cotton imports are expected to increase in 2011/2012. Cotton production is forecast to increase from 580,000 bales in 2010/2011 to 765,000 bales in 2011/2012 season with the expected increase in cotton area. Both exports and imports are expected to increase to satisfy both the local industry and export requirements. Following the opening of the market in late 2010, U.S. upland cotton export sales have already reached 36,000 bales in 2010/11 and post expects further increases in 2011/12.

Executive Summary:

Cotton area and production in 2011/2012 are forecasted to increase by 35 percent. Exports in 2010/11 increased sharply from the previous year with attractive international cotton prices. Imports in 2010/11 are forecast to increase by about 4 percent to maintain supplies to the Egyptian textile and garment industries. Export of cotton from all boll weevil free areas in the United States has been recently permitted; also the requirement for methyl bromide fumigation at origin was supposed to have been eliminated. However, many importers are still undertaking origin fumigation as they are concerned that the quarantine service may not approve their request for waiver. Also, the legal requirement for origin fumigation is still in place.

The Egyptian textile industry faces shortages in raw materials and there have been requests, especially by labor unions and politicians, to restrict the export of Egyptian cotton. However, to a great extent, Egyptian textile mills do not utilize Egyptian long staple and extra long staple cotton, but are set up for medium staple cotton. Egypt's readymade garment industry also could not capture the high value of Egyptian cotton in their garment exports to Europe and the United States.

Commodities:

Cotton

Production:**Area Planted and Production**

Total cotton area in 2010/2011 is forecast to be 155,000 HA, compared to 119,000 HA in 2009/2010. Area continues to increase as a result of increased local and export prices which made cotton more attractive returns. In 2011/12, further increase in both area and production are expected. This expected increase is mainly due to continues increases in local and export prices for Egypt's long and extra long staple cotton.

In 2010/2011, approximately 23 percent of the total cotton crop is expected to be extra long staple (ELS) varieties (staple lengths of 1 3/8 inches and above), about the same percentage as previous season. The only ELS varieties are now Giza 88, Giza 86. The remainder of the crop is comprised of long staple (LS) varieties (staple lengths of 1 1/4 inches): Giza 80 and Giza 90. Every year the government specifies certain varieties of cotton for each growing region, and farmers are obligated to cultivate those varieties according to their respective areas. The Ministry of Agriculture continues to be the sole distributor of cottonseed.

Consumption:

For 2010/2011, total use is projected at 800,000 bales, reversing a downward trend of previous years. For 2011/12, total use consumption is forecast to increase to 820,000 bales as a result of production increase. Until a few years ago, the textile industry's annual requirement of raw cotton averaged between 1.2 and 1.4 million bales.

Trade:

In 2010/2011, imports are forecast to increase by about 4 percent over the 2009/10 level and expected to reach 520,000 bales of short staple cotton, mostly from Greece at reported prices \$2 per LB C&F, including fumigation at the loading port. Egypt also imported Acala cotton from Sudan at a reported price of \$ 0.75 per LB and Barakat cotton at \$.90 per LB. Imports for 2011/2012 are forecast to be about the same level of 2010/11 as the world cotton prices are expected to remain high. The Ministry of Agriculture approved the substitution of methyl bromide with Megatoxin which is approved by the EU countries. __

Imports of cotton used to be permitted from: Sudan, Syria, Greece, Uzbekistan, Turkmenistan, California and Arizona. However, in addition to California and Arizona other U.S states were added to the approved list recently. To be approved an area must be shown to be boll weevil free. Once the area has been checked and approved, cotton imports must be fumigated at port of loading under vacuum with methyl bromide, or if vacuum is not available, atmospheric fumigation at port of loading followed by second fumigation at port of arrival under vacuum.

Exports in 2010/11 increased dramatically and reach 505,000 bales, from 350,000 bales in the previous year. This sharp increase in exports is a direct result of the recovery of the world financial crisis coupled with the shortage in the world cotton exportable surpluses. As of today, the Egyptian cotton crop is essentially sold out. The average export prices for Giza 88 is \$3 per LB/FOB and \$2.80 per LB/FOB for Giza 86.

Stocks:

Stocks are expected to decrease in 2011/012 as exports are expected to increase.

Marketing:

Market prices for the 2010/11 season were reported at LE 1,200 (\$ 206) per cantar (weighing 99 lbs) for both Giza 86 and Giza 88 at the beginning of the season (August 2010), and currently reached LE 2,000 (\$ 345). For Giza 90 market price is currently LE 1,600 (\$275). This is compared to LE 750 (\$ 136) for Giza 86, LE 900 (\$163) for Giza 88 and LE 650 (\$ 118) for Giza 90 varieties.

Trade Matrix

Export Trade Matrix Cotton			
Time Period	2009	Units:	2010
Exports for:			
U.S.	0	U.S.	0
Others		Others	
China	29	India	133
India	22	China	97
Turkey	15	Switzerland	60
Qatar	10	Qatar	28
Brazil	4	Turkey	23
Italy	3	Pakistan	19
Japan	3	Germany	19
Bangladesh	3	Italy	14
S. Korea	3	Thailand	14
Pakistan	3	Bangladesh	10
Total for Others	95		417
Others not Listed	5		88
Grand Total	100		505

Source: Alexandria Cotton Exporters Association

Production, Supply and Demand Data Statistics:

Cotton	Egypt		2009/2010		2010/2011		2011/2012	
			Market Year Begin: Aug 2009		Market Year Begin: Aug 2010		Market Year Begin: Aug 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	119	0	0		0		0
Area Harvested	119	119	160	155		210		210
Beginning Stocks	451	451	220	220		53		53
Production	432	432	600	580		765		765
Imports	550	550	450	570		550		550
MY Imports from U.S.	0	0	0	0		0		0
Total Supply	1,433	1,433	1,270	1,370		1,368		1,368
Exports	350	350	275	505		500		500
Use	850	850	800	800		820		820
Loss	13	13	13	12		10		10
Total Dom. Cons.	863	863	813	812		830		830
Ending Stocks	220	220	182	53		50		50
Total Distribution	1,433	1,433	1,270	1,370		1,380		1,380